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CORRECTLY SOLVE THE PROBLEMS OF FINANCING INDIVIDUAL HOUSING CONSTRUCTION

- USSR -

by D. Pudikov and A. Filimonov

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## FOREWORD

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## CORRECTLY SOLVE THE PROBLEMS OF FINANCING INDIVIDUAL HOUSING CONSTRUCTION

- USSR -

[Following is a translation of an article by D. Pudikov and A. Filimonov in the Russian-language periodical Finansy SSSR (USSR Finances), Moscow, Vol. XXI, No. 3, March 1960, pages 67-70.]

The offices of the Stroybank [Stroyitel'niy Bank -- The Construction Bank] branches in the Azerbaidzhan, Latvian, Belorussian, and other republics, and the oblast branches in Sverdlovsk, Smolensk, and Stalingrad, have asked questions regarding the long-term financing of home construction by individual builders. Many of these questions were not sufficiently clarified in the existing regulations and instructions concerning the financing of such construction. Therefore there exists the need to answer them.

1. Question: Does a Stroybank branch have a right to approve credits above and beyond the outlined financing plan for the current year?; if so, where is it mentioned?

Answer: According to the order of the USSR Stroybank, dated 30 December 1959 [No. 46], the Stroybank branches are given the right to approve such loans for individual home construction, provided that the loan is not in excess of 30% of the plan figures. However, they must not permit loans in excess of the figures announced for the republic, kray, and oblast enterprises and organizations under local or republican supervision, and also enterprises and organizations of ministries or departments of the USSR, which are financed by the executive committees of the Soviets of Workers' Deputies and the Councils of Ministers in the various republics.

2. Question: How many builders are required to form an apartment-house cooperative?

Answer: The decision of the Central Committee CPSU and the Council of Ministers USSR, dated 31 July 1957, entitled "On the Development of Housing Construction in the USSR," recommends that enterprises, organizations, and local soviets permit and encourage the building of apartment houses of model designs through the efforts of individual home builders on the basis of mutual aid, each builder retaining the right of ownership to one apartment.

The creation of such cooperatives at the enterprises, government organs, and organizations is of great importance not only in the speeding up of individual home construction and the acquisition of

housing with the private means of the population, aided by state financing, but also in the economical use of lots, a shortage of which is being felt at present. The construction of multistory buildings cuts building costs and also improves the architectural appearance of a city.

The number of home builders in each housing cooperative is determined by the enterprises, government organs, or organizations and depends upon the usable possibilities of the given lot, the type of apartment house, the availability of construction materials, blueprints and so forth. The Councils of Ministers in certain republics have adopted regulations regarding the construction of cooperative housing by individual builders to determine the aims and problems of the said cooperatives.

3. Question: What organ administers a housing cooperative?

Answer: Responsible persons to administer a housing cooperative are usually elected by the general meeting of the members. The members choose one or more officers and a treasurer. Some housing cooperatives elect a board the membership of which is decided by the general meeting.

The officer, or the chairman of the board, must strictly adhere to the decisions adopted by the general meeting of the cooperative members.

4. Question: Individual enterprises have been granted loans within the limitations fixed by the financing plan for ministries and departments. Can such enterprises be granted additional loan on open limitations fixed by executive committees?

Answer: If there are limitations fixed by executive committees and if the latter permit it, then credits can be approved and allowed to enterprises and organizations receiving it in the centralized order. The putting into operation of a housing unit built by such financing must depend on the credit account.

5. Question: Has the bank the right to grant housing-construction loans to citizens who work in cities but who were allotted lots on kolkhoz or sovkhoz lands?

Answer: The rules of individual house-construction financing provide for loans to workers, engineering-technical personnel, employees of enterprises, government organs, or organizations situated in the cities or towns (with the exception of the workers of technical repair stations, machine-tractor stations specialized stations, and sovkhozes). In the rural areas construction can be initiated on the land of the Goszemfond [Gosudarstvenniy Zemel'niy Fond -- The State Land Reserve] and the Goslesfond [Gosudarstvenniy Lesnoi Fond -- The State Forest Reserve], based on the decision of the corresponding executive committee of the Soviet of Workers' Deputies.

In accordance with the decision of the Council of People's Commissars USSR and the Central Committee of the All-Union Communist Party (of Bolsheviks), dated 28 July 1939, entitled "On Farmstead Site Lots for Workers and Employees, Rural Teachers, Agronomists, and Other

Non-Members of Kolkhozes Living in Rural Communities," the kolkhozes allot unoccupied farmstead site lots to workers and employees who are non-members of kolkhozes working at state enterprises and organs and living in rural communities; to rural teachers, agronomists, veterinary and medical workers working and living in the rural communities.

However, the decision does not indicate whether the farmstead lots given by kolkhozes for the construction of homes by workers and employees are for permanent use. There is no set rule for formalizing the transfer of the lot through an agreement between the home builder and the village soviet or the rayon executive committee. And there is no procedure for putting an attachment on a structure in cases where loans are issued for home construction.

In view of this, a construction built with a loan on kolkhoz land cannot be mortgaged to the bank in accordance with the existing regulations on financing individual home building, because the loan may become unprotected.

6. Question: How is the accounting to be done in transacting a carry-over construction? from the amount of an enterprise commitment or from the amount of the formal liability of individual borrowers?

Answer: The carry-over construction accounting must be done from the amount of the borrowers' formal liabilities.

7. Question: Prior to the reorganization of long-term deposit banks, the agents of the Prombank [Promyshlenniy Bank -- The Industrial Bank] were not financing individual home construction. What are the present functions of the Stroybank's authorized local agents in this respect?

Answer: The authorized local agents of the Stroybank must issue housing-construction loans in accordance with the regulations for financing such construction, approved by order of the Ministry of Finance USSR on 16 May 1955 [No. 320] and the instructions of the Tsekbank [Tsentral'niy Kommunal'niy Bank -- The Central Communal Bank] on 10 December 1955 [No. 143]. The Stroybank agents must collect documents on the construction and repair of houses; must verify the correctness of loan approvals and payments made in conformity to paragraphs 144-173 of the instruction issued by the Gosbank USSR [Gosudarstvenniy Bank -- The State Bank] on 30 March 1956 [No. 35]. They must collect documents from enterprises, must check them and send them to the Stroybank offices, in the order and quantity indicated in paragraphs 145, 147, 151, 154, 155, 158, and 171 of instruction No. 35.

Along with the above, the Stroybank agents must also carry out the following:

a) work out, jointly with the local planning organs, the annual and quarterly plans for financing individual home construction;

b) verify the correctness of the financing of individual home construction and the major repairs made on workers' homes; check the proper use of the issued loans; formalize the builders' liabilities; establish the size of annuity payments and the completeness of documents presented; supply the Stroybank offices with the established form of operational accounting;

c) assure the timely collection of payments due on loans by individual borrowers; locate departed borrowers; note in the plans the payments received from borrowers and enterprises;

d) recover overdue payments on loans in accordance with the established procedure; demand repayment of a loan which was not used as intended;

e) check the work of enterprises financing individual home construction; check the fulfillment of quarterly plans of payments made for this purpose;

f) investigate the progress of the construction of the borrowers' individual homes; check whether they are using the funds as intended; keep the local leading organs informed regarding the progress of construction;

g) get in time the established form of accounting on individual home construction from the enterprises; collect documents on the readiness of home construction.

8. Question: How can indebtedness be transferred if an organization is folding up and the builder has been assigned to work in another organization?

Answer: If an enterprise is being liquidated without legal successors while the borrowers have homes built with loans, then the loan can be renegotiated at the borrower's new place of work, or against the borrower's commitment made in the name of the bank office.

9. Question: Can citizens be granted loans if the floor space of homes built by them exceeds 60 square meters?

Answer: The ukaz of the Presidium of the Supreme Soviet USSR, 28 July 1958, added an article to the ukaz of the Presidium, dated 26 August 1948 and entitled "On the Rights of the Citizens to Buy and Build Individual Homes," a paragraph of which reads as follows: "To limit the living space of homes newly constructed by citizens of the USSR, according to the rights of personal property, to 60 square meters." The bank employees must be strictly guided by this regulation.

10. Question: In evaluating the fulfillment of plans for individual home construction, can the offices of the Stroybank take into account the living space of builders who did not use a bank loan for their construction?

Answer: The plans of individual home construction include the building of private homes by workers, engineering-technical personnel, workers and employees of state organs and enterprises, teachers, medical and veterinary workers, and active, reserve, and retired military personnel living in the cities or town-type settlements, if their homes are built at personal expense but with the help of state credits.

The construction of private homes by workers and employees fully at their own expense, and without any state credit, is not included in the fulfillment of individual home-construction plans.

11. Question: From what day must the bank consider the length of the construction period, if the borrower applied for a loan when the house was 50% complete?

Answer: The borrower's commitment specifies the home construction period from the moment his commitment is formalized. This period must not exceed one year from the date of issuance of the builder's promissory note against the loan, and it also must not be in excess of the period specified in the agreement on the permanent use of the lot allotted for the construction.

12. Question: Can credit be granted for the construction of a new home on the site of a house which has become unlivable? and what documents are required from the builder?

Answer: The Stroybank office can issue a loan for the construction of a new home on the site of an untenable house only by a decision of the municipal or rayon Soviet of Workers' Deputies. In such cases no certificate of lot allotment is required.

13. Question: The borrower has not completely settled his indebtedness against the loan received for construction of a home and is applying for a major-repair loan. Can a second loan be granted in such cases?

Answer: As a rule, no loan can be granted for major repairs until the home-construction loan has been repaid.

However, simultaneous loans can be granted to finance the workers' expenditures in connecting their homes to the communal waterworks and sewage system, and also for installing gas facilities in houses belonging to workers.